



# Business Update for 1<sup>st</sup> Quarter 2022

12 May 2022

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# Agenda

- 1Q 2022 At A Glance
- Financial Summary & Capital Management
- Commercial Segment
- Hospitality Segment
- Outlook
- Appendices



# 1Q 2022 At A Glance



## Financial Performance

- 1Q 2022 net property income was 21.5% lower year-on-year (“YoY”) at S\$48.0 million mainly due to deconsolidation of OUE Bayfront’s performance post divestment of a 50% interest
- Office segment remains the main revenue contributor at 55.8% in 1Q 2022
- Stable NAV per Unit of S\$0.57 as at 31 March 2022



## Asset Management

- Committed occupancy of commercial segment was 91.2% with stable average office passing rents as at March 2022
- Mandarin Gallery shopper traffic and sales recovered to approximately 80% of pre-COVID levels in March 2022
- Stable hospitality segment RevPAR of S\$113 in 1Q 2022



## Capital Management

- Aggregate leverage was 39.4% as at 31 March 2022 with lower average cost of debt of 3.0%
- 70.0% of total debt is hedged into fixed rates, mitigating interest rate risk
- Post quarter in May 2022, issued Singapore’s first bond with a coupon step-down of 25 basis points upon OUE C-REIT’s assignment of an investment grade rating within 18 months of issuance date

# Financial Summary & Capital Management

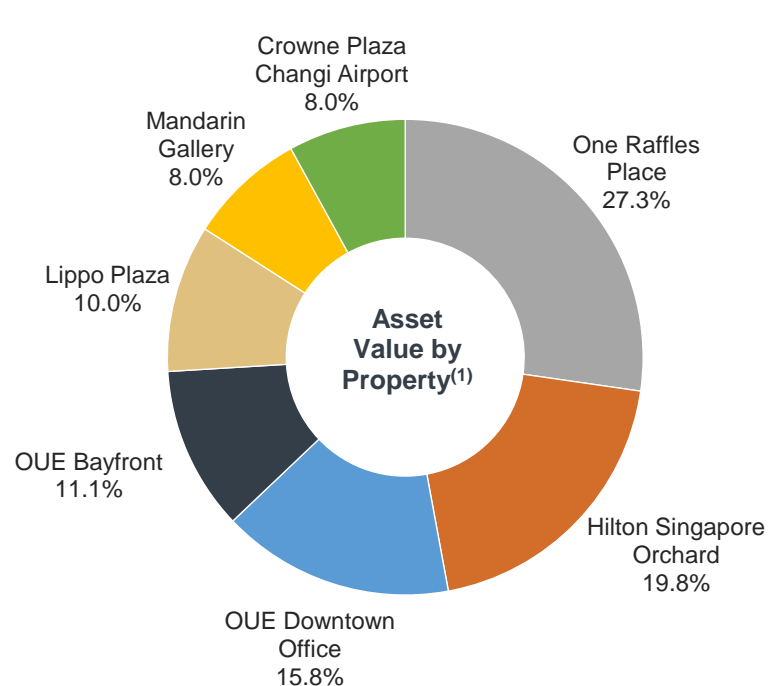


# 1Q 2022 Financial Performance

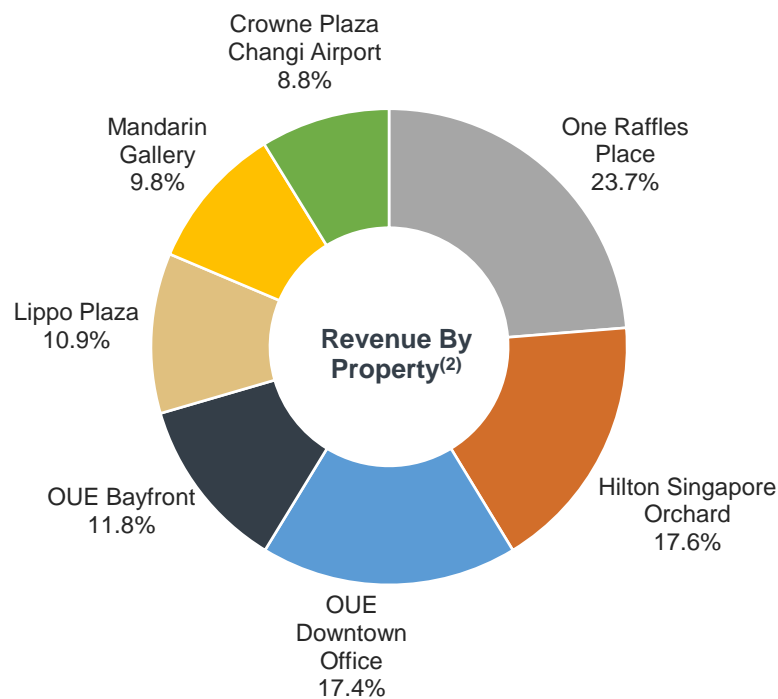
	1Q 2022 (S\$m)	1Q 2021 (S\$m)	YoY Change (%)
Revenue	59.5	74.7	(20.3)
Net Property Income	48.0	61.1	(21.5)
Share of Joint Venture Results	4.2	-	NM
Amount Available for Distribution <sup>(1)</sup>	31.2	37.1	(15.8)

- Net property income of S\$48.0 million was 21.5% lower YoY mainly due to deconsolidation of OUE Bayfront's performance post the divestment of a 50% interest in the property on 31 March 2021, partially mitigated by lower rental rebates and lower property expenses
- Including the drawdown of OUE Downtown Office income support, share of joint venture results from OUE Bayfront and lower interest expense, amount available for distribution was S\$31.2 million, 15.8% lower YoY

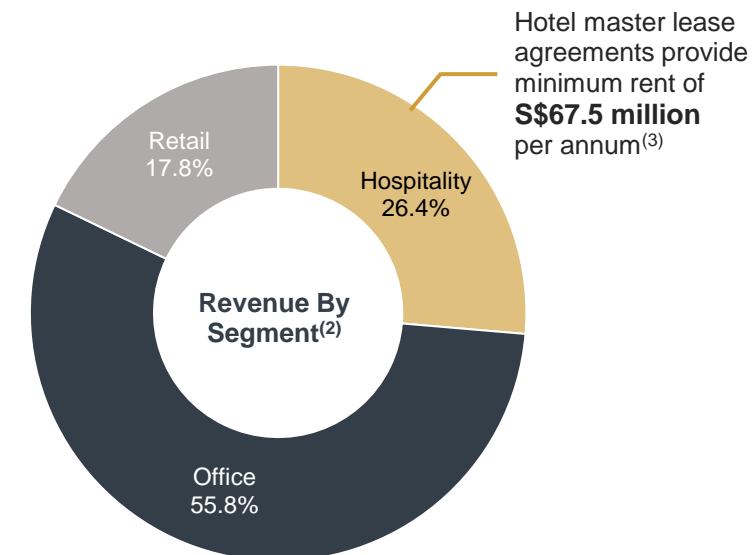
# Portfolio Composition



- 90% of assets under management in Singapore



- No single asset contributes more than 23.7% to the portfolio revenue



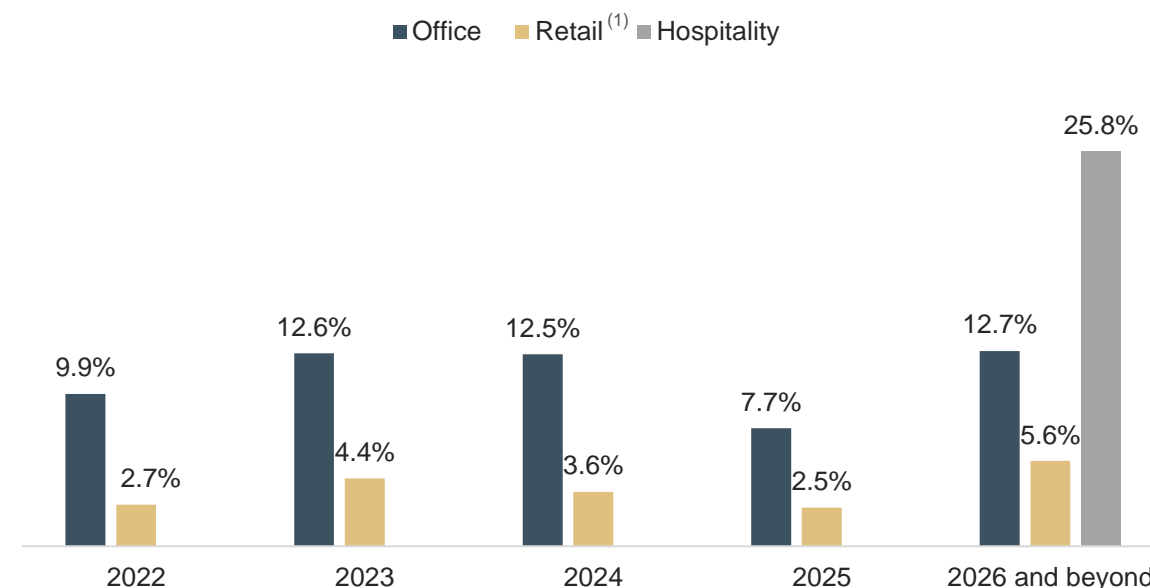
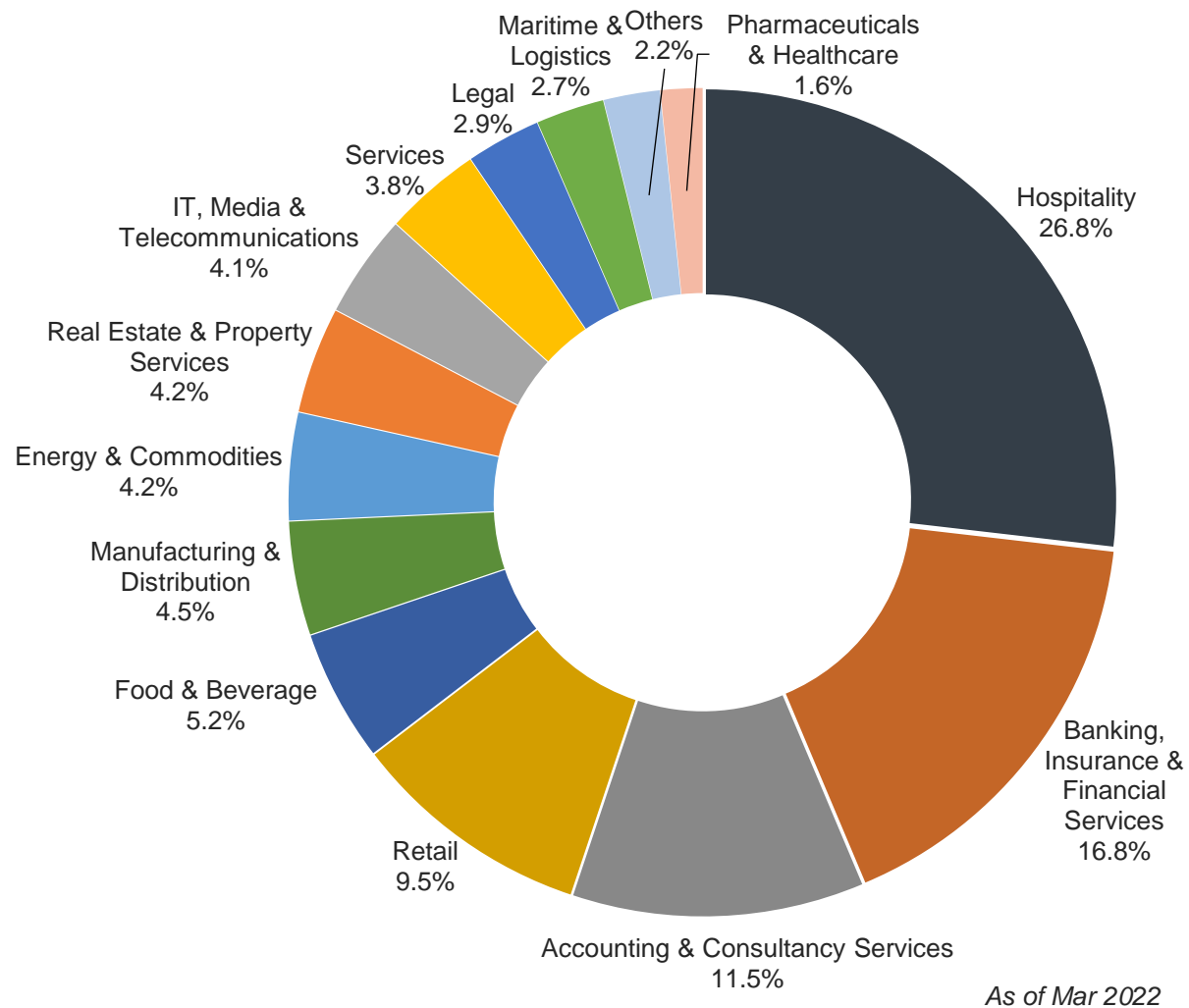
- 55.8% of portfolio contribution is underpinned by the office segment

(1) Based on independent valuations as at 31 December 2021 and OUE C-REIT's proportionate interest in the respective properties as at 31 December 2021, assuming SGD:CNY exchange rate of 1:4.690 as at 31 March 2022

(2) Based on 1Q 2022 revenue and OUE C-REIT's proportionate interest in the respective properties

(3) Hilton Singapore Orchard and Crowne Plaza Changi Airport's master lease agreements are subject to a minimum rent of S\$45.0 million and S\$22.5 million per annum respectively, totaling S\$67.5 million per annum

# Tenant Base and Portfolio Lease Expiry Profile



**WALE<sup>(2)</sup> of 3.4 years by Gross Rental Income**

As at 31 Mar 2022

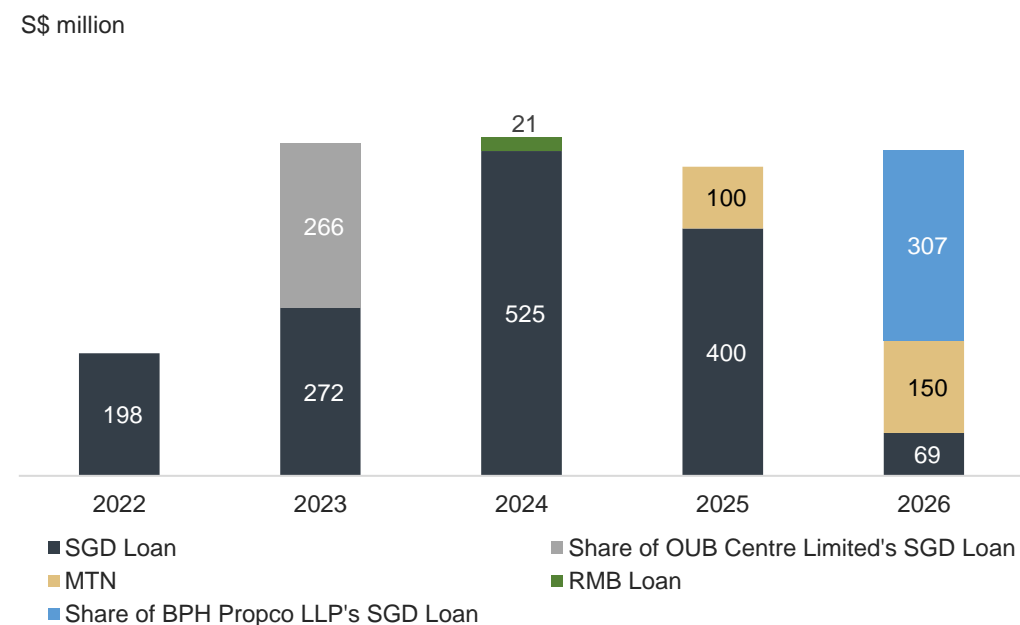


# Capital Management

- As at 31 March 2022, aggregate leverage was 39.4% with stable weighted average cost of debt of 3.0% p.a
- On 5 May 2022, OUE C-REIT issued S\$100 million 4.2% notes due 2027 with a coupon step-down trigger of 25 basis points upon assignment of an investment grade rating, a first in Singapore's capital markets
  - Pro forma average term of debt to lengthen to 2.9 years with proportion of fixed rate debt to increase to 74.3% post issuance, mitigating interest rate risk

	As at 31 Mar 2022	As at 31 Mar 2021
Aggregate leverage	39.4%	40.4%
Total debt	S\$2,308m <sup>(1)</sup>	S\$2,335m <sup>(2)</sup>
Weighted average cost of debt	3.0% p.a.	3.1% p.a.
Average term of debt	2.8 years	2.8 years
% fixed rate debt	70.0%	72.1%
Interest coverage ratio ("ICR") <sup>(3)</sup>	3.0x	2.6x
Adjusted ICR <sup>(4)</sup>	2.9x	2.5x

## Debt Maturity Profile (as at 31 March 2022)



(1) Based on SGD:CNY exchange rate of 1:4.690 as at 31 March 2022 and includes OUE C-REIT's share of OUB Centre Limited's loan and BPH PropCo LLP's loan

(2) Based on SGD:CNY exchange rate of 1:4.843 as at 31 March 2021 and includes OUE C-REIT's share of OUB Centre Limited's loan and BPH PropCo LLP's loan

(3) As prescribed under Appendix 6 of the Monetary Authority of Singapore's Code on Collective Investment Schemes (last revised on 3 March 2022). Based on earnings before interest, tax, depreciation and amortisation (excluding effects of any fair value changes of derivatives and investment properties, and foreign exchange translation) over interest expense and borrowing-related fees, on a trailing 12-month basis.

(4) As above in (3) and including distributions on hybrid securities in the denominator

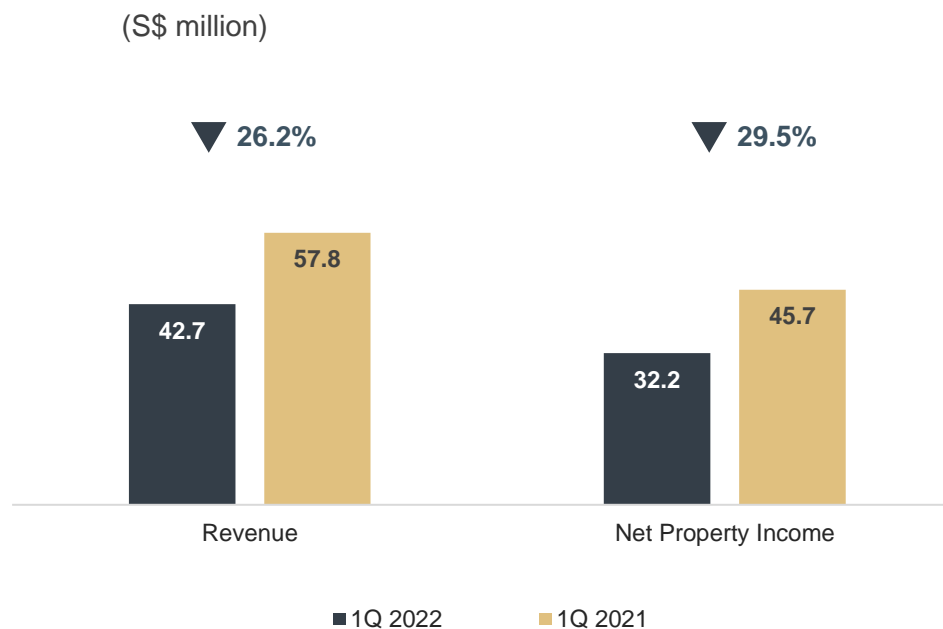


# Commercial Segment





# Commercial Segment Performance – 1Q 2022



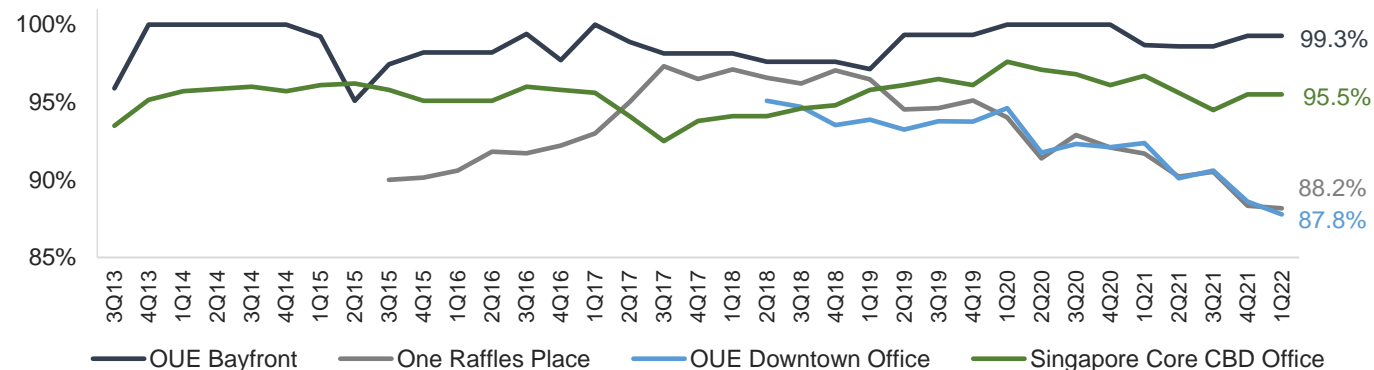
- Net property income of S\$32.2 million was 29.5% lower YoY mainly due to deconsolidation of OUE Bayfront's performance post the divestment of a 50% interest in the property on 31 March 2021, partially mitigated by lower rental rebates
- Approximately S\$1.1 million of rental rebates were extended to retail tenants, a lower quantum than the previous quarter



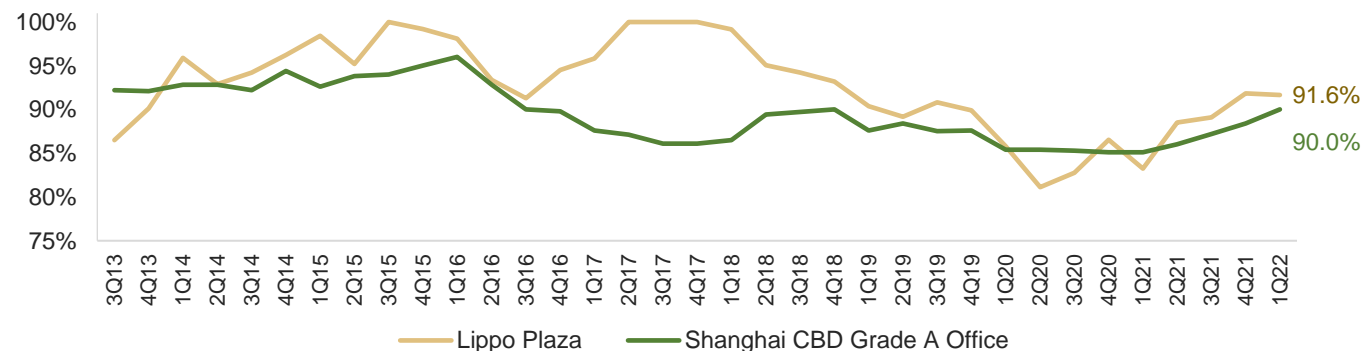
# Office Segment Occupancy

- OUE Bayfront's committed office occupancy remained at 99.3% as at 31 March 2022, ahead of the wider market
- Committed office occupancy of One Raffles Place maintained at 88.2% while committed occupancy of OUE Downtown Office declined to 87.8% as at 31 March 2022
- Leasing activity in Shanghai was affected by the recurrence of COVID-19. Nonetheless, Lippo Plaza's committed office occupancy remained stable at 91.6%, ahead of the wider market

## Singapore



## Shanghai



# Office Segment Rental Performance

- Singapore office rents continue to recover in 1Q 2022, which is expected to narrow the gap between expiring rents and market rents

1Q 2022	Average Expired Rents	Rental Reversions	Sub-market	Comparable Sub-market Rents	
				Colliers <sup>(1)</sup>	Savills <sup>(2)</sup>
Singapore					
OUE Bayfront	S\$12.93	2.5%	New Downtown/ Marina Bay	S\$11.96	S\$12.13
One Raffles Place	S\$10.50	1.2%	Raffles Place	S\$10.17	S\$9.64
OUE Downtown Office	S\$8.68	-5.9%	Shenton Way/ Tanjong Pagar	S\$9.31	S\$8.50 – S\$8.73
Shanghai					
Lippo Plaza	RMB9.46	1.2%	Puxi	RMB8.99	RMB9.90 <sup>(3)</sup>

(1) Source: Colliers Singapore Office Quarterly 1Q 2022 for Singapore comparable sub-market rents; Colliers Shanghai Grade A Office Market Overview and Forecast 1Q 2022 for Shanghai comparable sub-market rents

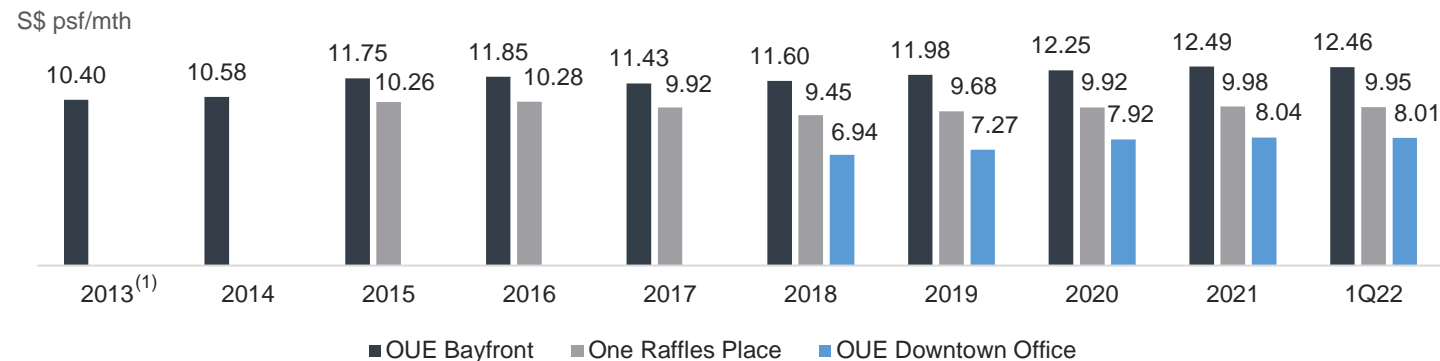
(2) Source: Savills Singapore Office Briefing 1Q 2022 for Singapore comparable sub-market rents; Savills Shanghai Property Market in Minutes 1Q 2022 for Shanghai comparable sub-market rents

(3) Shanghai Grade A office rent for prime districts of Nanjing Road West, Huaihai Middle Road and Lujiazui as defined by Savills

Note: For reference, CBRE Research's 1Q 2022 Core CBD Grade A Singapore office rent is S\$10.95 psf/mth. Sub-market rents are not published

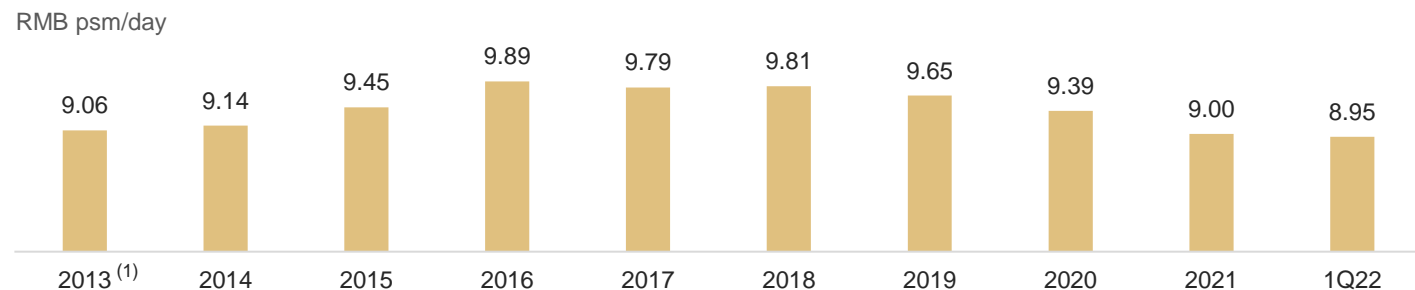
# Average Passing Rents

## Singapore (Office)



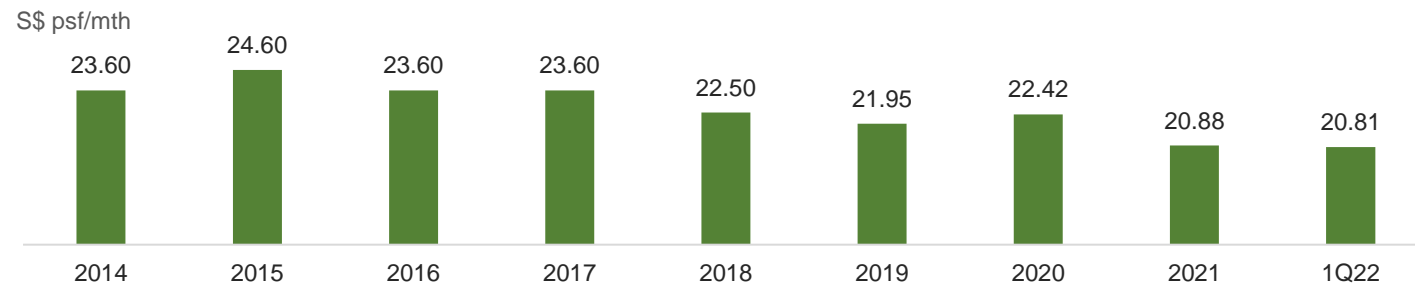
- Average passing rents for all Singapore office properties were stable as at 1Q 2022

## Lippo Plaza (Office)



- Average passing office rent for Lippo Plaza edged down 0.6% QoQ to RMB8.95 psm/day due to Manager's focus on prioritising occupancy amidst strong leasing competition and significant supply

## Mandarin Gallery

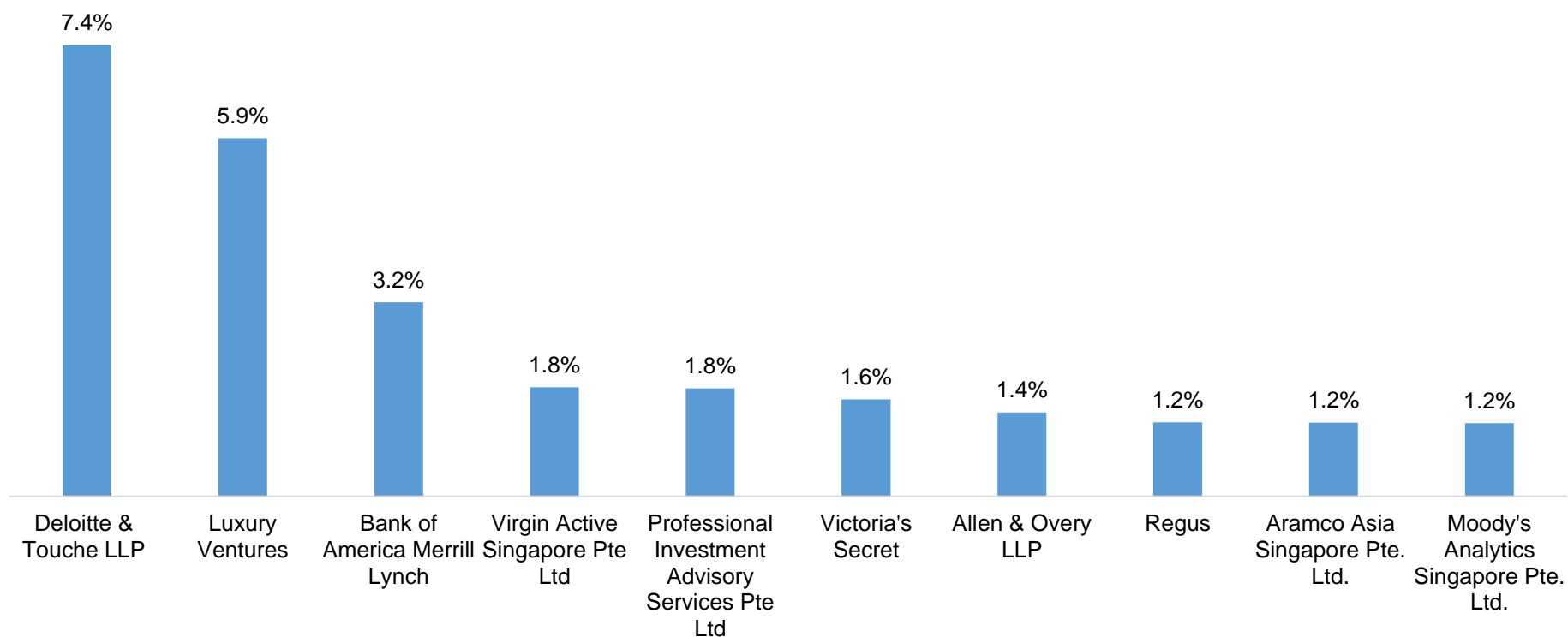


- Average retail rent at Mandarin Gallery registered a smaller QoQ decline of 0.3% to S\$20.81 psf/month



# Top 10 Tenants – Commercial Segment

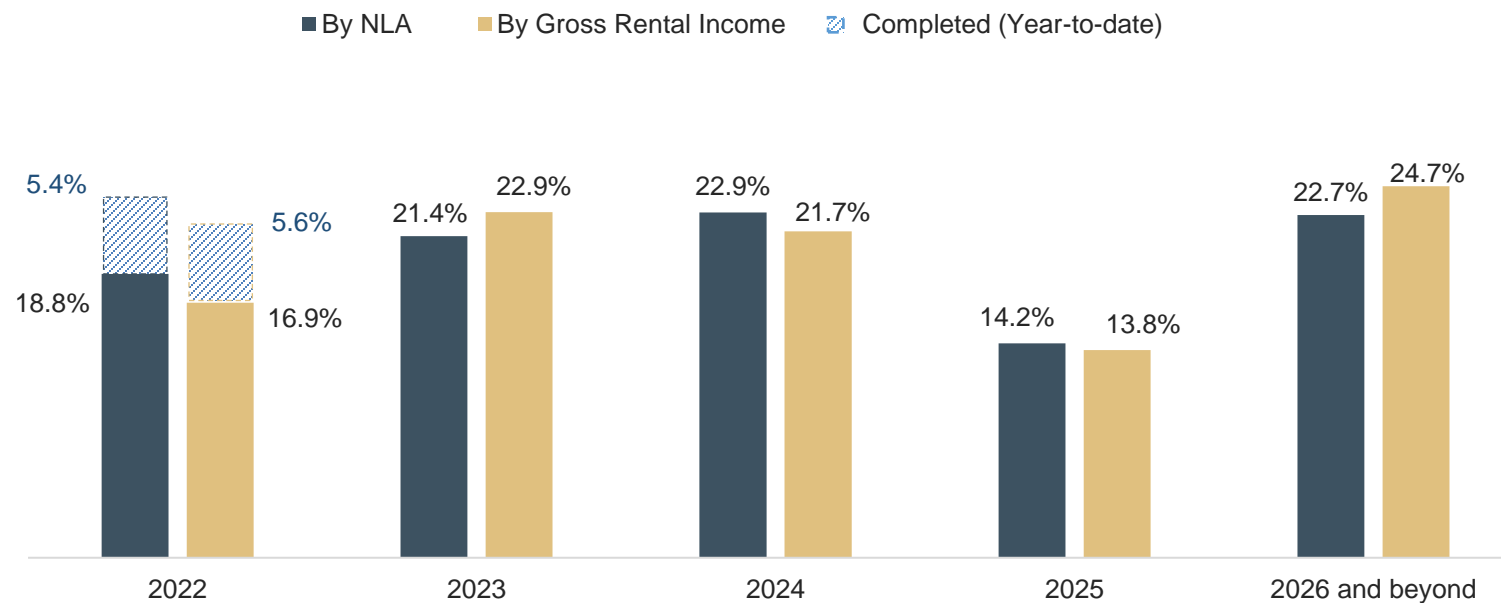
**Top 10 Tenants contribute 26.7% of Commercial Segment Gross Rental Income<sup>(1)</sup>**



*As of Mar 2022*

# Lease Expiry Profile – Commercial Segment

16.9% of OUE C-REIT's commercial segment gross rental income remains due for renewal for balance of 2022

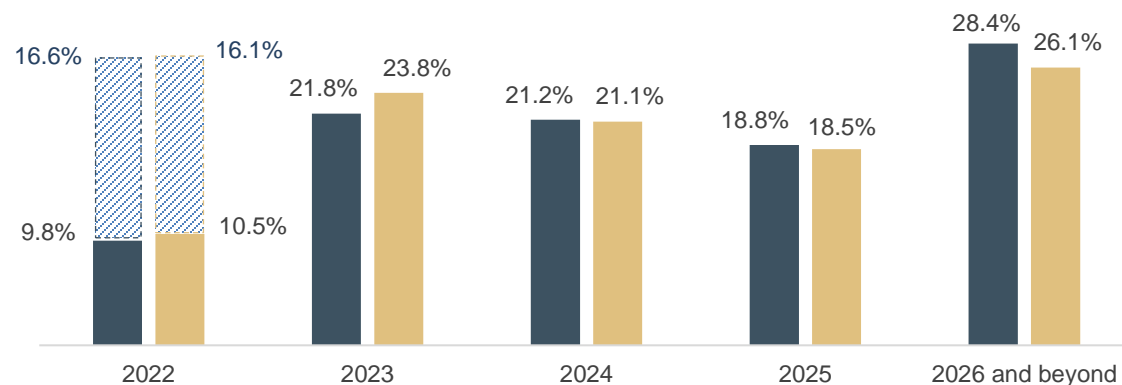


**WALE<sup>(1)</sup> of 2.4 years by both NLA and GRI<sup>(2)</sup>**

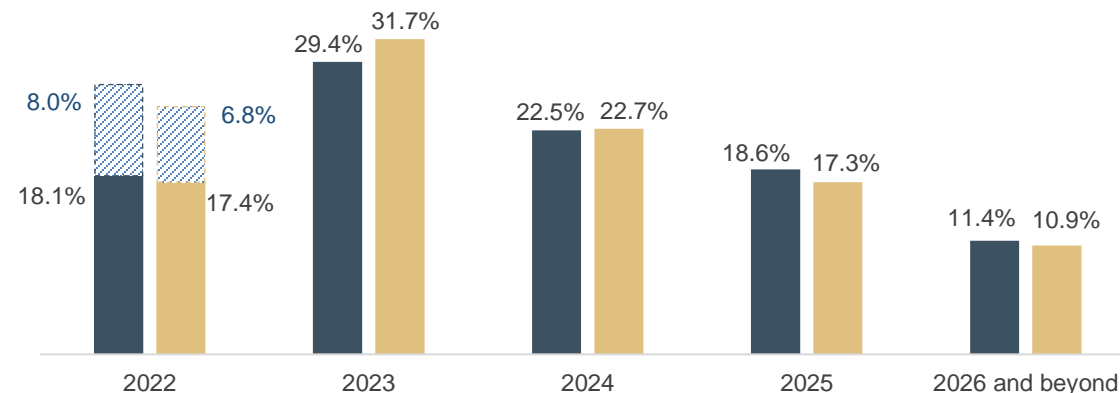
*As at 31 Mar 2022*

# Lease Expiry Profile by Commercial Property

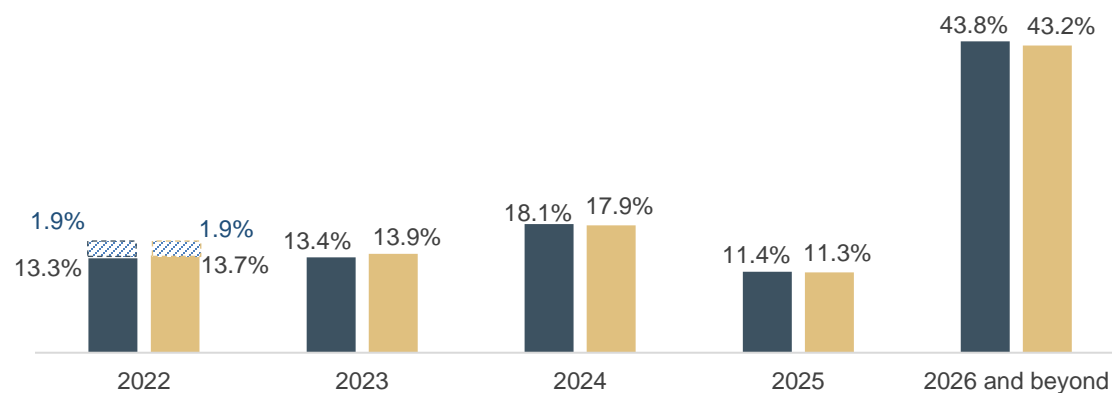
**OUE Bayfront**  
WALE: 2.8 years (NLA); 2.7 Years (GRI)



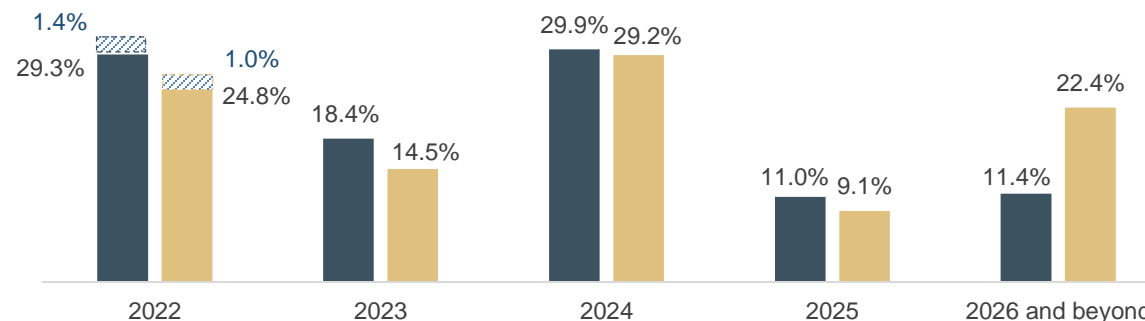
**One Raffles Place**  
WALE: 2.0 years (NLA); 2.0 Years (GRI)



**OUE Downtown Office**  
WALE: 3.0 years (NLA); 3.0 years (GRI)



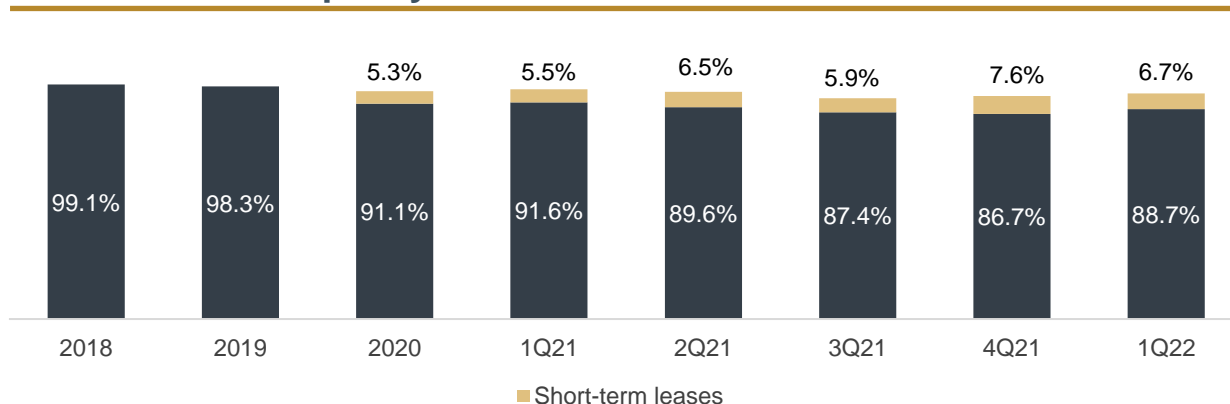
**Lippo Plaza**  
WALE: 1.9 years (NLA); 2.2 years (GRI)





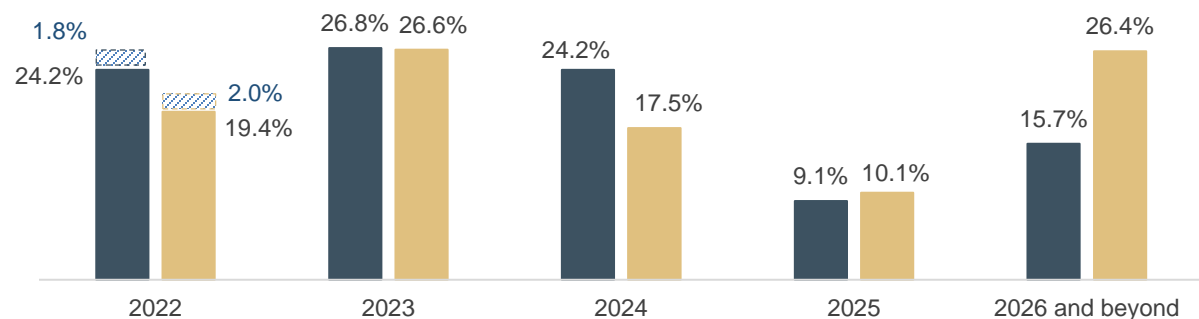
# Mandarin Gallery

## Committed Occupancy



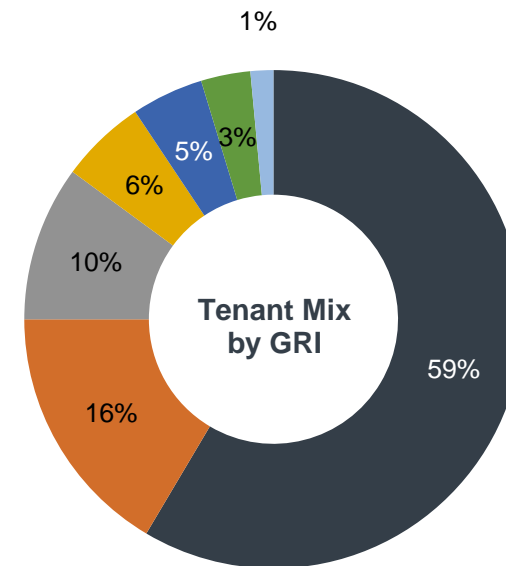
**WALE: 2.1 years (NLA); 2.5 Years (GRI<sup>(1)</sup>)**

■ By NLA ■ By Gross Rental Income ■ Completed (Year-to-date)



As at 31 Mar 2022

- Committed occupancy increased 2.0 ppt to 88.7% as at 31 March 2022. Including short-term leases, committed occupancy was 95.4%
- Shopper traffic and sales in March 2022 improved to ~80% of pre-COVID-levels respectively



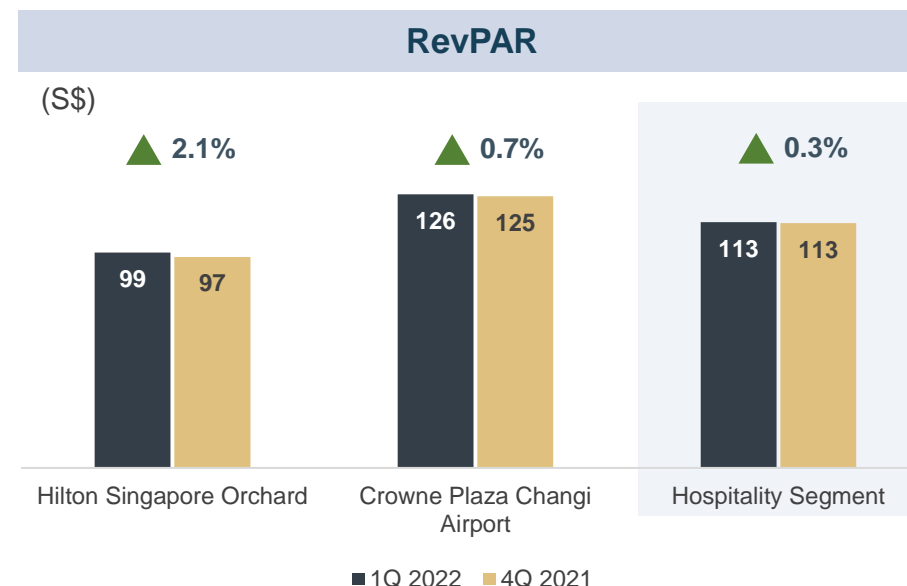
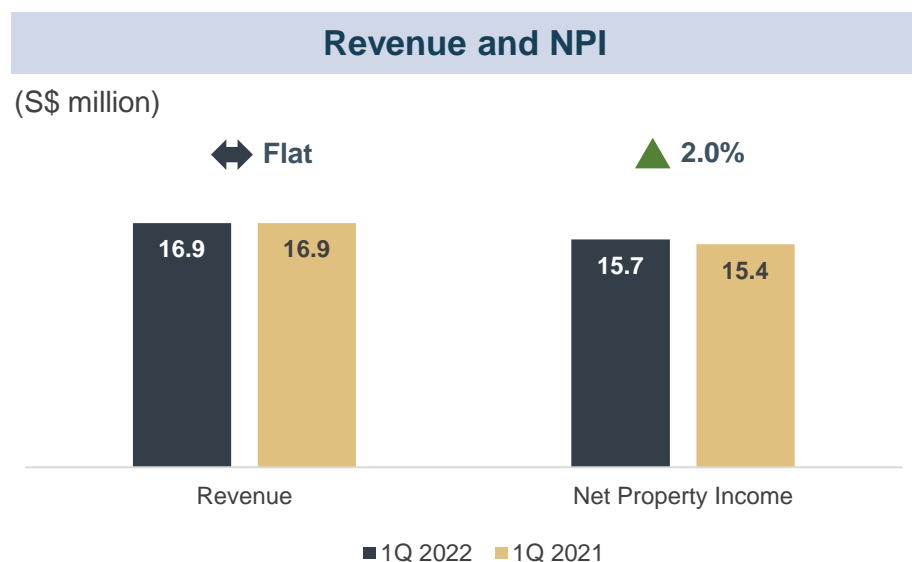
As of Mar 2022

■ Fashion & Accessories ■ Food & Beverage ■ Hair & Beauty  
 ■ Watches & Jewellery ■ Living & Lifestyle ■ Travel  
 ■ Services

# Hospitality Segment



# Hospitality Segment Performance – 1Q 2022



- Hospitality segment revenue for 1Q 2022 of S\$16.9 million was the minimum rent under the master lease arrangements of the hotel properties. Net property income for 1Q 2022 was 2.0% higher YoY
- Hotel relaunched as Hilton Singapore Orchard on 24 February 2022 with refurbished rooms and suites, new and enhanced MICE facilities, as well as revamped and fresh F&B restaurants. RevPAR increased 2.1% QoQ to S\$99
- Crowne Plaza Changi Airport continued to serve the air crew and aviation segment in 1Q 2022 and RevPAR increased by 0.7% QoQ to S\$126. Overall hospitality RevPAR was stable QoQ at S\$113



# Outlook





# Outlook

## Singapore Office

- Recovery in the office market supported by continued expansionary demand from co-working, technology and non-bank sectors amidst a limited supply pipeline
- OUE C-REIT's portfolio of well-located Grade A offices and diversified tenant base is expected to underpin a stable performance as the Singapore office rental recovery continues

## Singapore Retail & Hospitality

- While the lifting of various community and border measures in Singapore will benefit the hospitality and retail segments such as an increase in the number of visitor arrivals and the return of tourist spending, the tight labour market and inflationary pressures pose additional challenges
- Retail rents are expected to remain stable for the most of 2022 with meaningful increases expected only in 2023
- Minimum rent of S\$67.5 million under the master lease arrangements of OUE C-REIT's hotel segment continues to provide income assurance as the hospitality sector continues on its recovery path

## Shanghai Office

- While the current COVID-19 outbreak has brought on some short-term uncertainty, demand from the technology, media and telecom sector is expected to remain stable
- The Manager continues its focus on prioritising occupancy in view of the significant supply pipeline



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Thank You




# Appendices

- Premium Portfolio of Assets
- Singapore Office Market
- Shanghai Office Market
- Singapore Hospitality Market
- Hotel Master Lease Details



# Premium Portfolio of Assets

## Strategically located assets in the prime business districts of Singapore and Shanghai

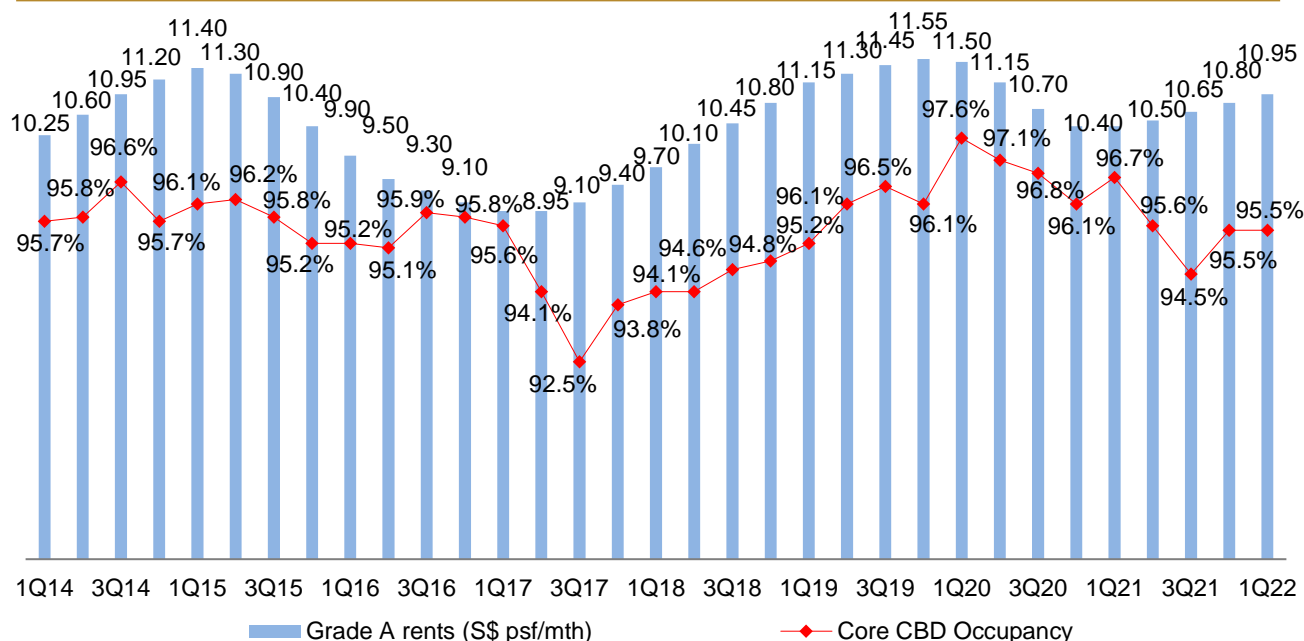
							
	OUE Bayfront	One Raffles Place	OUE Downtown Office	Lippo Plaza	Mandarin Gallery	Hilton Singapore Orchard	Crowne Plaza Changi Airport
<b>Description</b>	A landmark Grade A office building located at Collyer Quay between the Marina Bay downtown and Raffles Place	Iconic integrated development with two Grade A office towers and a retail mall located in Singapore's CBD at Raffles Place	Grade A office space, a mixed-used development with offices, retail and serviced residences at Shenton Way	Grade A commercial building located along Huaihai Zhong Road within the established commercial district of Huangpu in Puxi, Shanghai	Prime retail landmark on Orchard Road – preferred location for flagship stores of international brands	Hilton's flagship hotel in Singapore and its largest in Asia Pacific, strategically located in the heart of Singapore's shopping and entertainment district	Award-winning hotel at Singapore Changi Airport and close to Changi Business Park with seamless connectivity to Jewel Changi Airport
<b>Ownership Interest</b>	50%	67.95%	100%	91.2% strata ownership	100%	100%	100%
<b>NLA (sq ft) /No. of Rooms</b>	Office: 378,801 Retail: 21,132	Office: 605,529 Retail: 99,370	Office: 529,297	Office: 361,007 Retail: 61,575	Retail: 126,283	1,080 hotel rooms	563 hotel rooms
<b>Occupancy<sup>(1)</sup></b>	Office: 99.3% Retail: 96.6% Overall: 99.1%	Office: 88.2% Retail: 93.2% Overall: 88.9%	Office: 87.8%	Office: 91.6% Retail: 96.8% Overall: 92.4%	Retail: 88.7%	-	-
<b>Valuation as at 31 Dec 2021</b>	S\$1,270.0m <sup>(2)</sup> (S\$3,176 psf)	S\$1,867.7m <sup>(3)</sup> (S\$2,650 psf)	S\$902.0m (S\$1,704 psf)	RMB2,681.0m / RMB45,812 psm GFA	S\$453.9m (S\$3,594 psf)	S\$1,130.0m (S\$1.0m / key)	S\$455.2m (S\$0.8m / key)



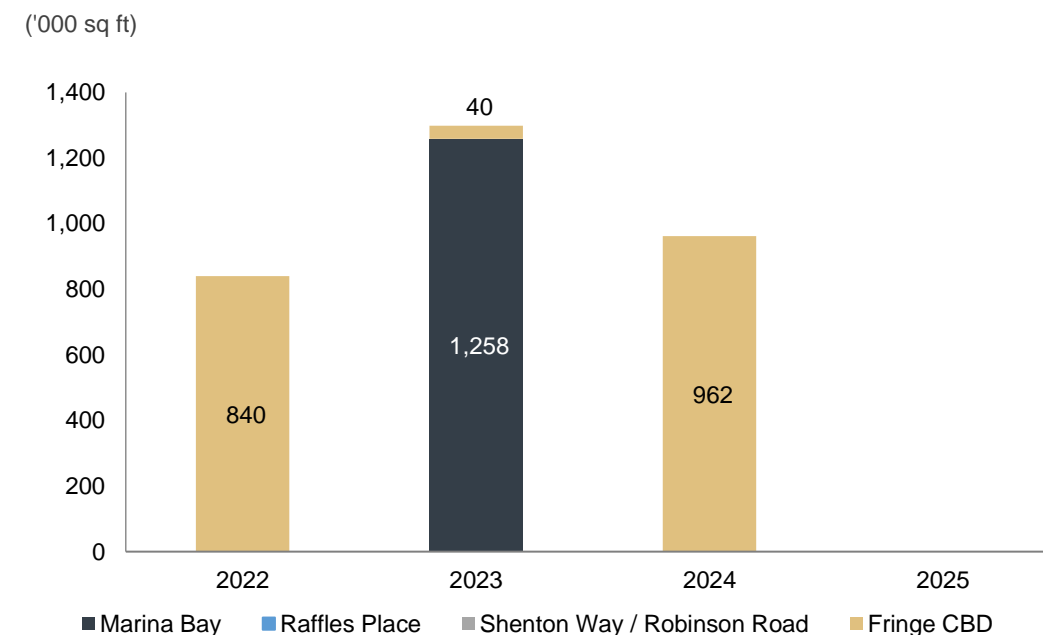
# Singapore Office Market

- Positive leasing momentum from end-2021 carried through to 2022 as Singapore remained on the path to reopen its economy. Demand was driven by non-bank financial institutions, technology companies, pharmaceutical, as well as fast-moving consumer goods companies
- Core CBD Grade A occupancy stabilised at 95.5% in 1Q 2022, while CBD Grade A office rents increased 1.4% QoQ to S\$10.95 psf per month

## Singapore CBD Grade A Rents and Occupancy

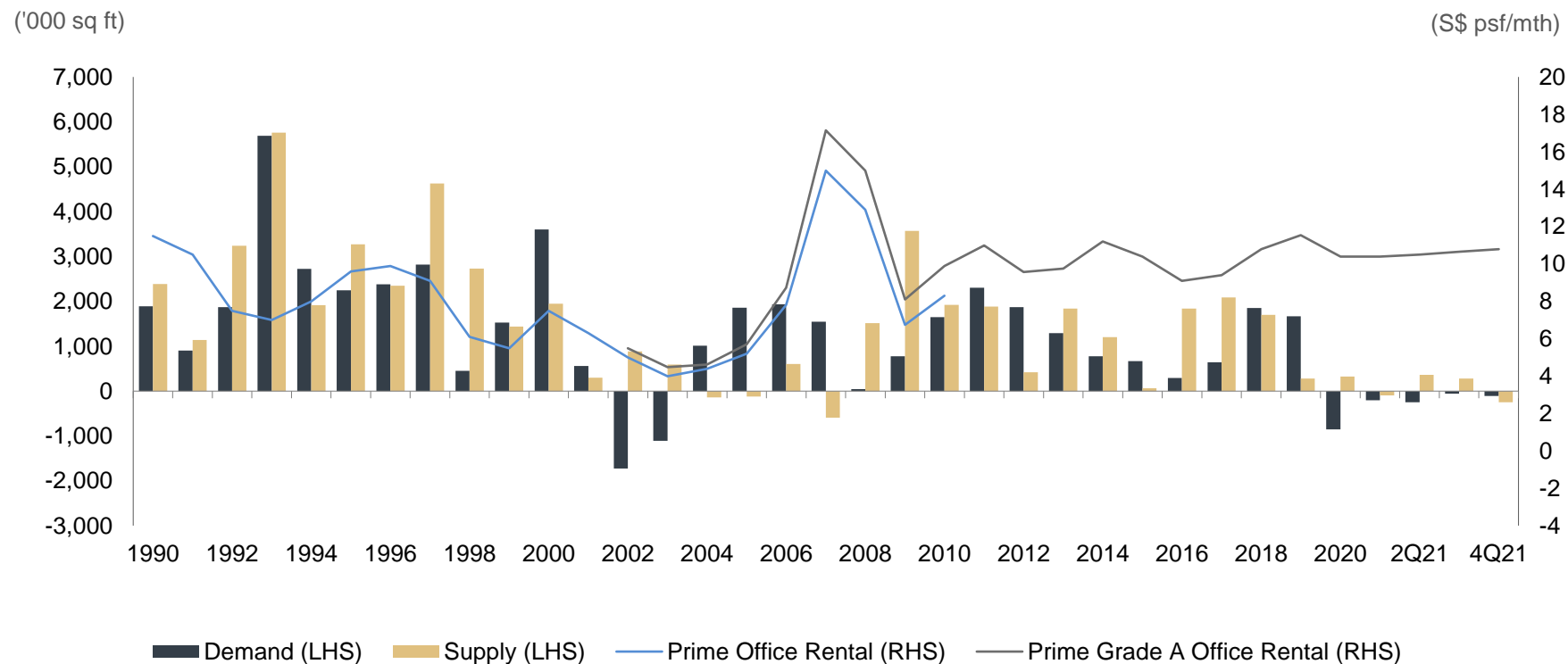


## Office Supply Pipeline in Singapore (CBD and Fringe of CBD)



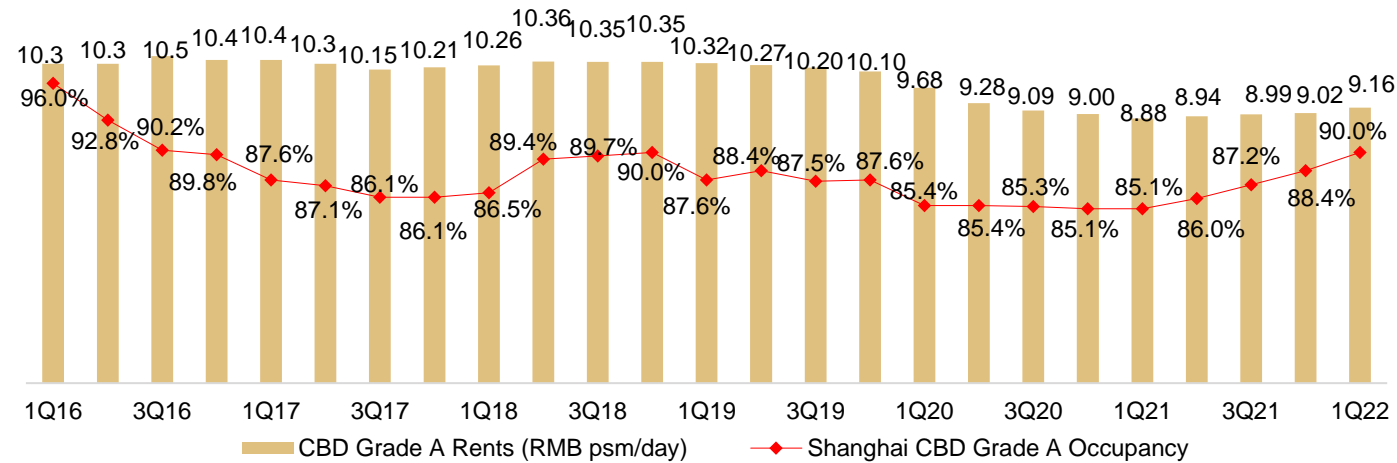
# Singapore Office Demand & Supply vs Office Rental

## Island-wide Office Demand, Supply and Office Rents



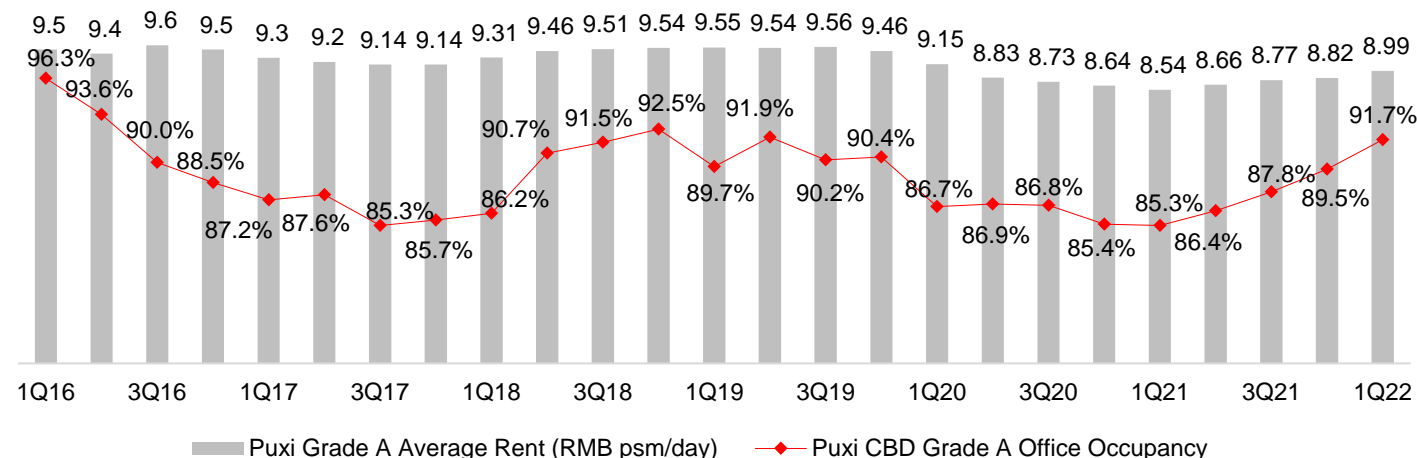
# Shanghai Office Market

## Shanghai



- Shanghai CBD Grade A office occupancy increased 1.6 ppt QoQ to 90.0%, while rents rose 1.4% QoQ to RMB9.16 psm per day in 1Q 2022
- Puxi Grade A office occupancy improved 2.2 ppt QoQ to 91.7% as at 1Q 2022, and rents edged up 1.8% QoQ to RMB8.99 psm/day

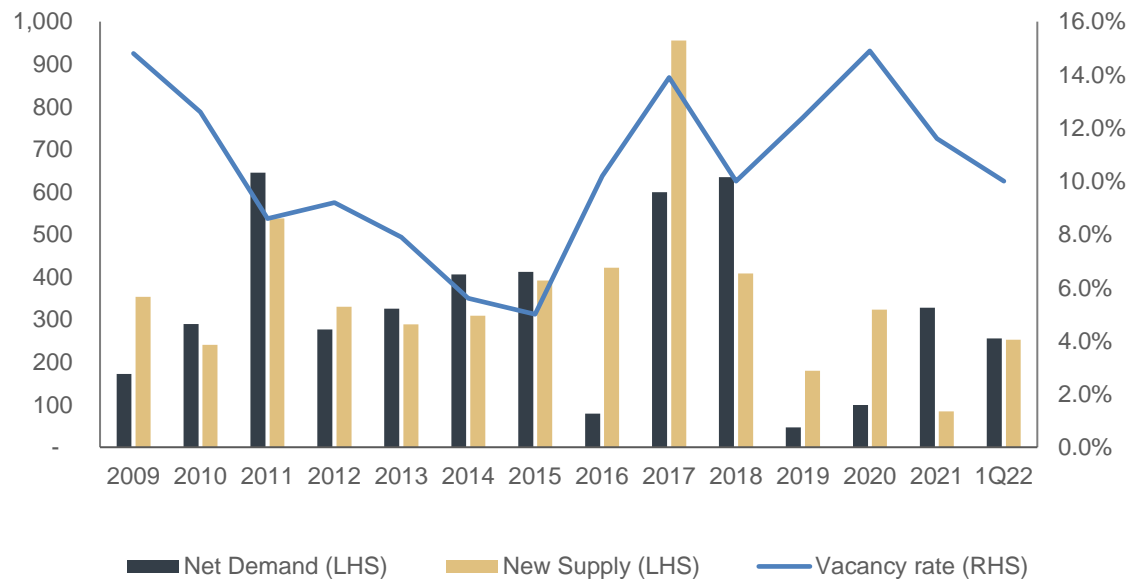
## Puxi



- Demand from the TMT sector is expected to remain stable although rental growth will be measured given the significant office supply pipeline over the next few years

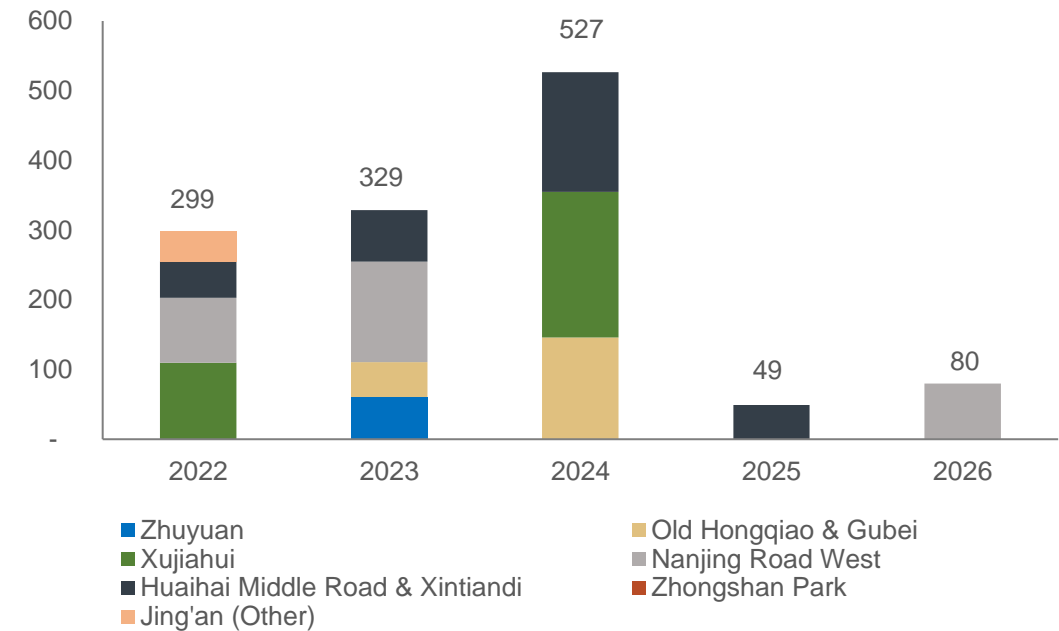
# Shanghai CBD Demand, Supply & Vacancy

## Grade A Office Net Absorption, New Supply and Vacancy Rate



## Office Supply Pipeline in Shanghai CBD

'000 sq m



- Shanghai CBD Grade A office supply expected to abate after 2024



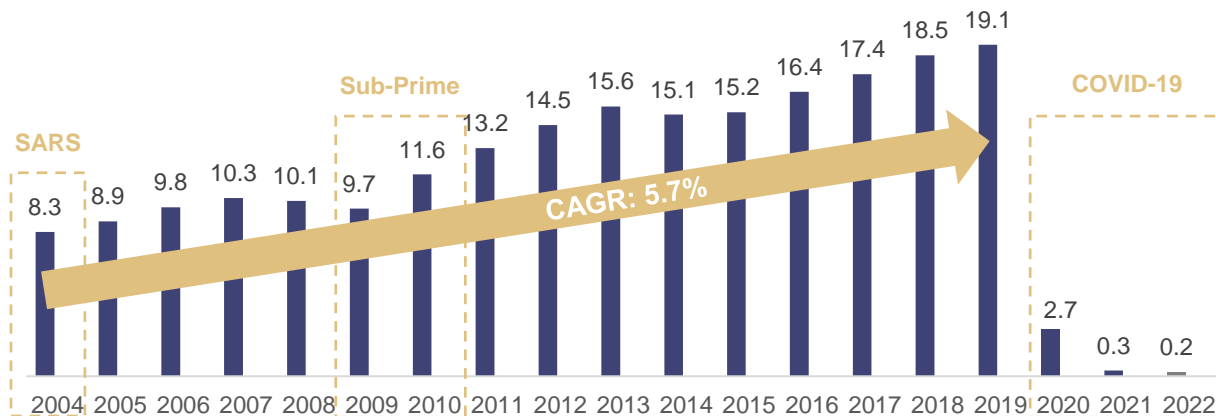
# Singapore Hospitality Market

- For 1Q 2022, visitor arrivals increased by more than three times YoY to 0.2 million due to the Vaccinated Travel Lane arrangements with various countries, however Singapore visitor arrivals remained well below pre-COVID levels
- The STB expects tourism numbers to take time to return to pre-pandemic levels<sup>(1)</sup> while the UNWTO expects international tourism to continue its gradual recovery in 2022<sup>(2)</sup>
- Hotel room inventory to grow by 3.4% between 2022 and 2024

## Visitor Arrivals in Singapore

(million)

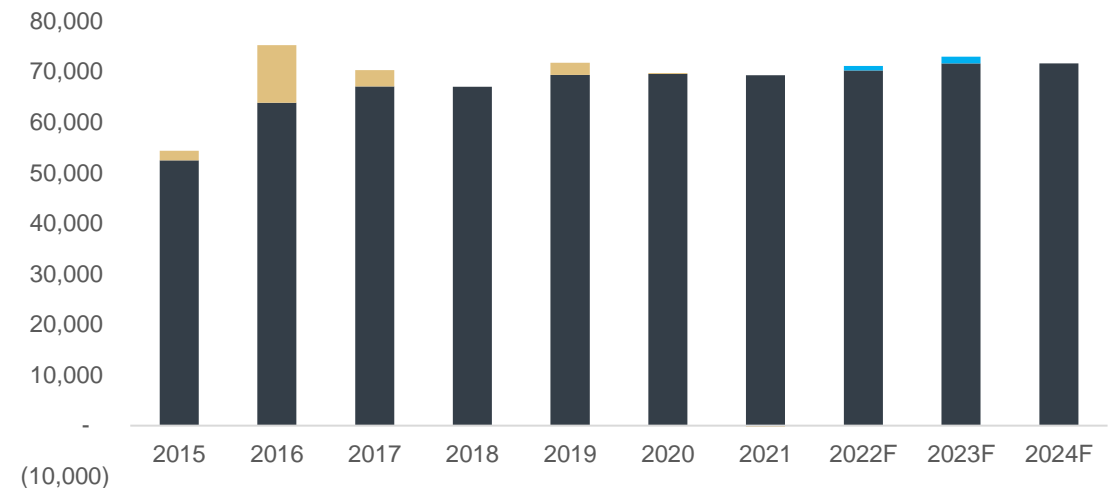
■ Visitor Arrivals ■ 2022



## Singapore Hotel Supply

(No. of Hotel Rooms)

■ Number of Rooms ■ Net Increase/Decrease in Supply ■ New Supply



Source: Singapore Tourism Board, International Visitor Arrival Statistics, JLL Industry Sources

1) Channel News Asia, "Encouraging signs of recovery" even as Singapore's tourism sector hits new lows in 2021: STB", 25 January 2022 URL:

<https://www.channelnewsasia.com/singapore/encouraging-signs-recovery-even-singapores-tourism-sector-hits-new-lows-2021-stb-2457321>

2) UNWTO: "Tourism enjoys strong start to 2022 while facing new uncertainties", 25 March 2022 URL: <https://www.unwto.org/news/tourism-enjoys-strong-start-to-2022-while-facing-new-uncertainties>

# Hotel Master Lease Details



Property	Hilton Singapore Orchard	Crowne Plaza Changi Airport
No. of Guestrooms	1,080	563
Master Lease Rental	Variable Rent Comprising Sum of: (i) 33.0% of HSO GOR <sup>(1)</sup> ; and (ii) 27.5% of HSO GOP <sup>(2)</sup> ; subject to minimum rent of S\$45.0 million <sup>(3)</sup>	Variable Rent Comprising Sum of: (i) 4% of Hotel F&B Revenues; (ii) 33% of Hotel Rooms and Other Revenues not related to F&B; (iii) 30% Hotel GOP; and (iv) 80% of Gross Rental Income from leased space; subject to minimum rent of S\$22.5 million <sup>(3)</sup>
Master Lessee	<ul style="list-style-type: none"> <li>OUE Limited</li> </ul>	<ul style="list-style-type: none"> <li>OUE Airport Hotel Pte. Ltd. (OUEAH)</li> </ul>
Tenure	<ul style="list-style-type: none"> <li>First term of 15 years to expire in July 2028</li> <li>Option to renew for an additional 15 years on the same terms and conditions</li> </ul>	<ul style="list-style-type: none"> <li>First term of Master Lease to expire in May 2028</li> <li>Option to renew for an additional two consecutive 5-year terms</li> </ul>
	FF&E Reserve	Capital Replacement Contribution
	<ul style="list-style-type: none"> <li>3% of GOR</li> </ul>	<ul style="list-style-type: none"> <li>Aligned with hotel management agreement between OUEAH and IHG</li> <li>Generally at 3% of GOR</li> </ul>